

## Message Text

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53-S

ACTION EA-14

INFO OCT-01 ADP-00 EB-11 CIAE-00 DODE-00 PM-07 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 LAB-06 SIL-01 NIC-01 RSR-01 /119 W

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 4703

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TAGS: ECON

SUBJ: CONTINUING PRICE INCREASES STIMULATE LABOR UNREST AND  
AROUSE RTG CONCERN

REF: BANGKOK 10140

1. INFLATION AND THE POTENTIAL FOR LABOR AND OTHER UNREST  
LATENT WITHIN IT MAY BE THAILAND'S MOST SERIOUS PROBLEM  
OVER THE COMING MONTHS. MOST RECENT DEVELOPMENT ON THE  
INFLATION FRONT WAS THE CABINET DECISION YESTERDAY TO  
IMPOSE RETAIL PRICE CONTROL ON RICE AT ABOUT CURRENT SELLING  
PRICES. THIS DECISION WAS TAKEN ON RECOMMENDATION OF  
COMMITTEE TO SOLVE ECONOMIC PROBLEMS, NEW UNIT SET UP TO FOCUS  
ON MEASURES TO TAKE TO COUNTER INFLATION.

2. ALTHOUGH RTG IS CONCERNED OVER PRICE TRENDS AND UNDER  
GROWING PRESSURE TO TAKE COUNTERING ACTION, CIRCUMSTANCES  
LARGELY BEYOND ITS CONTROL HAVE REQUIRED IT TO RAISE SOME  
PRICES INSTEAD OF LOWERING THEM. FOR EXAMPLE, AFTER  
PROLONGED DELAYS, RTG ON JULY 4 AUTHORIZED PRICE  
INCREASES OF UP TO 10 PERCENT FOR GASOLINE, DIESEL FUEL,  
KEROSENE, AND FUEL OIL. HOWEVER, ON BUS FARES GOVT HAS  
ADAMANTLY SAID THERE WILL BE NO INCREASE DESPITE THE  
APPARENT MERITS OF THE CASE OF THE BUS OWNERS.

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3. EVEN IN AREAS NOT SUBJECT TO GOVT PRICE FIXING, THE TREND HAS BEEN UPWARD. AT THE END OF MAY, OVERALL CONSUMER PRICES FOR THE BANGKOK METROPOLITAN AREA WERE UP 10.5 PER CENT FROM A YEAR AGO, AND FOOD PRICES, ACCORDING TO THE SAME COMMERCE MINISTRY INDEX, WERE UP 14.2 PER CENT. IMPORT COSTS GENERALLY HAVE BEEN UPWARD AS A CONSEQUENCE, AT LEAST IN PART, OF DOLLAR DEVALUATIONS AND OF REVALUATIONS OF THE YEN AND "D" MARK.

4. AT FIRST GLANCE INCREASES OF THIS SIZE MAY NOT SEEM ALARMING OR OUT OF LINE WITH WORLDWIDE INFLATION, BUT:  
A. CONSUMER PRICE INDEX MAY NOT ACCURATELY REFLECT WHAT IT COSTS AVERAGE THAI TO LIVE. RICE PRICES AT WHOLESALE HAVE MORE THAN DOUBLED IN THE PAST YEAR AND ARE UP MORE THAN 60 PERCENT AT RETAIL. WHEN THIS COMMODITY, CONSUMED THREE TIMES A DAY BY THE AVERAGE THAI, IS UP 60 PERCENT, DOUBT IS CAST ON THE VALIDITY OF THE STATISTICS WHICH SHOW ONLY A 14 PER CENT INCREASE IN FOOD PRICES.

B. VAST MAJORITY OF URBAN AND RURAL THAI LIVE WITH A VERY NARROW MARGIN OF DISCRETIONARY INCOME. MINIMUM WAGE FOR THE BANGKOK-THONBURI AREA, FOR EXAMPLE, WAS FIXED AT 60 US CENTS PER DAY FOR FIRST TIME IN 1973.

C. INFLATIONARY SPURT FOLLOWS A LONG PERIOD OF PRICE STABILITY. USING THE COMMERCE MINISTRY'S FIGURES, AVERAGE INCREASE IN COST OF LIVING DURING THE YEARS 1962-72 WAS ONLY A LITTLE MORE THAN 2 PER CENT A YEAR. EVEN ACCEPTING OFFICIAL 10 PER CENT FIGURE FOR THE 12 MONTHS ENDED MAY 31, ACCELERATION IS NEVERTHELESS CONSIDERABLE FROM A HISTORICAL STANDPOINT.

5. CO-INCIDENT WITH RECENT STUDENT DEMONSTRATIONS (REFTEL) THERE WAS SUFFICIENT PUBLIC CRITICISM OF RTG'S RICE POLICIES TO LEAD IT TO INCLUDE A DEFENSE OF THOSE POLICIES IN ITS JUNE 27 STATEMENT ON THE DEMONSTRATIONS. STATEMENT DESCRIBED CRITICISM AS COMING FROM "NON-STUDENT THIRD PARTIES." RTG ALSO HAS BEEN DRAWING INCREASING PRESS CRITICISM FOR FAILING TO DEAL MORE EFFECTIVELY WITH INFLATIONARY DEVELOPMENTS. WITHIN THE PAST WEEK THE SOMETIMES SENSATIONAL THAI RATH HAS FEATURED ARTICLES AND PICTURES ON HUNGER IN BANGKOK AND THE RESPECTED SIAM RATH HAS RECENTLY PUBLISHED A VIVID ARTICLE ON CHILD LIMITED OFFICIAL USE

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MALNUTRITION AND STARVATION IN THAILAND.

6. ILLEGAL LABOR STOPPAGES ALSO HAVE BEEN INCREASING IN NUMBER AND HAVE INCLUDED STATE ENTERPRISES FOR THE FIRST TIME. IN CONTRAST WITH PAST PRACTICES, DEMANDS FOR HIGHER WAGES ARE NOW A COMMON THEME. (FROM THE TIME LABOR ASSOCIATIONS WERE FIRST AUTHORIZED IN EARLY 1972, IMPROVED WORKING CONDITIONS WERE A MORE IMPORTANT ISSUE THAN WAGES.)



EMBASSY ANTICIPATES EVEN MORE WORK STOPPAGES IF THE GAP CONTINUES  
TO GROW BETWEEN PRICES AND WAGES. SEPARATE AIRGRAM ON LABOR  
UNREST FOLLOWS.  
MASTERS

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